



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 1, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller *Wendy L. Watanabe*

SUBJECT: **THE WALL – LAS MEMORIAS PROJECT – A DEPARTMENT OF
PUBLIC HEALTH HIV/AIDS PREVENTION CONTRACT SERVICE
PROVIDER – FISCAL REVIEW**

We completed a fiscal review of The Wall – Las Memorias Project (The Wall or Agency). The County Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) contracts with The Wall, a non-profit organization, to provide HIV/AIDS prevention services. Our review covered a sample of transactions from January 2010 through August 2011.

Our review was intended to determine whether the Agency spent Program funds in accordance with their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with the contract and applicable guidelines.

At the time of our review, The Wall had two cost-reimbursement contracts with DHSP. DHSP paid the Agency approximately \$428,000 from January 2010 through August 2011. The Agency provides services to individuals in all Supervisorial Districts.

Results of Review

The Wall recorded and deposited payments from DHSP timely, and maintained the required personnel records. However, The Wall did not always comply with all of the County contract requirements. For example, The Wall:

- Inappropriately billed DHSP \$3,732 for expenditures that were not supported by adequate documentation, or were not allowable. Specifically, The Wall charged DHSP \$2,080 in shared costs that should have also been allocated to the Agency's other non-DHSP programs; charged DHSP \$1,028 (\$780 + \$248) for expenditures that were not supported by adequate documentation; and charged \$624 for cell phones that were not included in the Agency's approved contract budgets.

The Wall's attached response indicates that they have re-allocated the \$2,080 in shared costs, and determined that they overbilled DPH by \$1,123. The Wall indicated they will repay DPH \$2,151 (\$1,123 + \$1,028). However, the Agency disagrees with the disallowance of the \$624 in cell phone costs, and believes the costs should be allowed. However, cell phones were not included in The Wall's approved budget, and are not reimbursable. DPH indicated they would work with the Agency to ensure the cell phone costs are repaid.

- Did not resolve bank account reconciling items timely. Specifically, The Wall's August 2011 bank reconciliation included \$312 in reconciling items that had been outstanding for more than six months. In addition, The Wall's management did not review and approve the bank reconciliation.

The Wall's attached response indicates that they will resolve reconciling items timely, and ensure that bank reconciliations are reviewed and approved by management.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with The Wall and DHSP. As indicated above, the Agency generally agreed with our findings and recommendations. DHSP indicated that they will work with the Agency to ensure the questioned costs are repaid.

We thank The Wall for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA

Attachment

- c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., Director, Department of Public Health
Tania Rodriguez, Chair, Board of Directors, The Wall – Las Memorias Project
Richard Zaldivar, Executive Director, The Wall – Las Memorias Project
Public Information Office
Audit Committee

**THE WALL – LAS MEMORIAS PROJECT
HIV/AIDS PREVENTION SERVICES
JANUARY 2010 TO AUGUST 2011**

CASH/REVENUE

Objective

Determine whether The Wall – Las Memorias Project (The Wall or Agency) had adequate controls to ensure cash receipts and revenue were recorded in the Agency's financial records properly, cash receipts were deposited into the Agency's bank account timely, and bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed the Agency's personnel, and reviewed their financial records and August 2011 bank reconciliation.

Results

The Wall recorded revenue in their financial records properly, and deposited Division of HIV and STD Programs (DHSP) payments into the Agency's bank account timely. However, the August 2011 bank reconciliation included \$312 in reconciling items that had been outstanding for more than six months. In addition, The Wall's management did not review and approve the bank reconciliation.

Recommendations

The Wall management ensure:

- 1. Reconciling items are resolved timely.**
- 2. Bank reconciliations are reviewed and approved by management.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency prepared its Cost Allocation Plan in compliance with the County contract, and used the plan to allocate shared costs appropriately.

Verification

We reviewed The Wall's Cost Allocation Plan, and a sample of shared costs the Agency incurred from March 2010 through December 2010.

Results

The Wall's Cost Allocation Plan was prepared in compliance with the County contract. However, shared costs were not appropriately charged to the DHSP Program, as discussed in the Expenditure Section of our report below.

Recommendation

See Recommendation 4 below.

EXPENDITURES**Objective**

Determine whether expenditures charged to the DHSP Program were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed financial records for 18 non-payroll expenditures, totaling \$22,612, that the Agency charged to the DHSP Program from March 2010 through July 2011.

Results

The Wall inappropriately charged DHSP \$3,484 (15%) for four expenditures that were not supported by adequate documentation or were not allowable. Specifically, The Wall billed DHSP:

- \$2,080 in shared costs for computer maintenance and a copier lease that should have also been allocated to the Agency's other non-DHSP programs.
- \$780 for marketing costs that were not supported by adequate documentation such as invoices, receipts, or cancelled checks.
- \$624 for cell phones that were not included in The Wall's contract budget.

Recommendations

The Wall management:

3. Repay DPH \$1,404 (\$780 + \$624).
4. Re-allocate the \$2,080 in shared Program expenditures and repay DPH for any overbilled amounts.
5. Maintain adequate documentation to support Program expenditures and ensure only allowable expenditures are charged to the DHSP Program.

PAYROLL AND PERSONNEL

Objective

Determine whether The Wall charged payroll costs to the DHSP Program appropriately, and maintained personnel files as required.

Verification

We traced the payroll costs for four employees, totaling \$7,617, from July 2011, to the Agency's payroll records and time reports. We also reviewed the personnel files for DHSP Program staff.

Results

The Wall appropriately charged payroll costs to the DHSP Program, and had personnel files as required by the County contract.

Recommendation

None.

COST REPORTS

Objective

Determine whether the Agency's Cost Reports reconciled to the accounting records.

Verification

We traced the Agency's January 2010 through December 2010 Cost Reports to their accounting records.

Results

The Wall's Cost Reports did not reconcile to their accounting records. Specifically, the Agency's accounting records did not support \$248 in expenditures that were included in their Cost Reports.

Recommendation

6. The Wall management repay DPH \$248.



Wendy L. Watanabe
Auditor-Controller
500 W Temple Street, Room 525
Los Angeles, California 90012

February 1, 2012

Regarding: The Wall –Las Memorias Project-A Department of Public Health HIV/AIDS Care Service
Contract Provider-Fiscal Review

Dear Ms. Wendy Watanabe,

In response to the contract review findings mentioned of December, 2010, OAPP HIV/AIDS contracts with the Los Angeles County Department of Public Health.

Cash/Revenue

Recommendation: The Wall management ensures:

1. Reconciling items are resolved timely.
2. Bank reconciliations are reviewed and approved by management.

Response:

1.Management of the Wall Las Memorias Project reconcile items and are resolved on a timely basis except when checks that have been issued are not cashed by the payee. The management will strongly adhere to this recommendation and will process this in a timely manner.

2. The management will better review bank reconciliations and will clearly sign off on them on a monthly basis.

Cost Allocation Plan/Expenditures

Recommendation: The Wall management ensures:

3. Repay DPH \$1,404 (\$780 + \$624).
4. Reallocate the \$2,080 in shared program expenditures and repay DPH for any over billed amounts.
5. Maintain adequate documentation to support program expenditures and insure only allowable expenditures are charged to the DHSP Program.

Response:

3a. The break down the \$1,404 is as follows:

- \$780.14- Social Marketing- Payments were made to 4Imprint for services under this contract, but there was confusion regarding this order. The vendor reimbursed the agency and this cost will be repaid to the county. (see attached documentation from vendor)

3b. In regards to \$624

- TWLMP has made purchases of phones in the same category before and there was never a problem. TWLMP disagrees with the recommendation.

4. In regards to the \$2,080:

- \$400- Supplies
- \$700- Computer maintenance
- \$400- Copy Machine yearly contract
- \$580- Computer maintenance

The above mentioned expenditures should be allocated to 46%, which is the approved amount by DPHS. Therefore, 46% of the costs are appropriately billed. TWLMP agrees to pay the county the remaining 54% of this cost.

5. We agree to maintain adequate documentation.

Cost Repots

Recommendation:

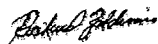
6. The Wall Las Memorias Project will repay DPH \$248

Response:

The Wall Las Memorias Project will repay this amount.

Please find the attachments that should answer the items listed above. Thank you for your patience, support and understanding. I look forward to speaking with you soon

Sincerely,



Richard L. Zaldivar
Executive Director